



ANNUAL
REPORT

1 9 6 4

KERR ADDISON MINES

L I M I T E D

F O R T H E Y E A R E N D E D D E C E M B E R 3 1 S T .

KERR ADDISON MINES LIMITED

DIRECTORS

JOHN R. BRADFIELD, LL.D.	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
M. S. FOTHERINGHAM	-	-	-	-	-	-	-	-	-	-	-	Steep Rock Lake, Ont.
K. C. GRAY	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
H. E. LANGFORD	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
HAROLD H. LEATHER, M.B.E.	-	-	-	-	-	-	-	-	-	-	-	Hamilton, Ont.
R. V. PORRITT	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. H. REA	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. DENT SMITH	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.

OFFICERS

W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	<i>President</i>
K. C. GRAY	-	-	-	-	-	-	-	-	-	-	-	<i>Vice-President</i>
R. D. STEWART	-	-	-	-	-	-	-	-	-	-	-	<i>Secretary</i>
B. C. BONE	-	-	-	-	-	-	-	-	-	-	-	<i>Treasurer</i>
J. B. SAGE	-	-	-	-	-	-	-	-	-	-	-	<i>Assistant Secretary</i>
S. C. YULE, Virginiatown, Ont.	-	-	-	-	-	-	-	-	-	-	-	<i>Manager</i>

HEAD OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

MINE OFFICE: Virginiatown, Ont.

EXPLORATION OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

TRANSFER AGENTS AND REGISTRARS

EASTERN & CHARTERED TRUST COMPANY	-	-	1901 Yonge Street, Toronto 7, Ont.
REGISTRAR & TRANSFER COMPANY	-	-	140 Cedar Street, New York, N.Y.
REGISTRAR & TRANSFER COMPANY	-	-	15 Exchange Place, Jersey City 2, N.J.

AUDITORS

CLARKSON, GORDON & Co.	-	-	-	15 Wellington Street West, Toronto, Ont.
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ANNUAL MEETING

April 21st, 1965, 12:00 Noon (Toronto Time) Hampton Court
King Edward Sheraton Hotel, Toronto, Ont.

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of your Company covering the year ended December 31st, 1964.

Financial

Net profit was 50 cents per share and four dividends of 10 cents each were paid. There was no income tax liability due to available write-offs of deferred exploration expenditures, some of which will still be available in 1965.

At the year end the net value of liquid assets, including shares and bonds totalling \$48,592,866 at quoted market prices and supplies and prepaid items at cost, amounted to \$51,450,480, equivalent to \$7.32 per share outstanding. This compares to \$5.82 per share at the end of 1963.

The Kerr Addison Mine

The Manager's Report contained herein gives details of production and operations.

Output of gold was 266,970 ounces, a decrease of 58,016 ounces from the previous year. The lower production reflects the lower tonnage milled. The grade of ore milled was slightly higher than in the previous year. Bullion sales were all made to the Royal Canadian Mint and realized \$37.83 per ounce of gold as compared to \$37.85 in 1963.

Operating costs increased by 90 cents per ton due to the lower tonnage treated and the greater tonnage produced by square-set mining methods. The higher costs were partially compensated for by benefits accruing under the provisions of the Emergency Gold Mining Assistance Act.

The ore reserve at the year end was 5,396,219 tons grading .4283 ounces of gold per ton as compared to 6,044,877 tons grading .4205 ounces a year earlier. This reserve will probably be mined out in eight or nine years.

It is with pleasure that your Directors record their sincere appreciation of the excellent work of the Manager, staff and employees throughout the year.

Joutel Copper Mines Limited

Kerr Addison owns approximately two-thirds of the issued shares of this company. Its property consists of a concession and nine claims covering 1,285 acres in Joutel Township in the Province of Quebec, sixty miles almost due north of the town of Amos and about twelve miles west of Milepost 72 of the Amos-Matagami highway.

During the year additional work consisted of 577 feet of crosscuts, 849 feet of drifts, 39 feet of raises and 11,812 cubic feet of slashing and 18,485 feet of diamond drilling. Of this drilling, 1,989 feet was from surface and the remainder from underground.

As a result of this work, which included fill-in diamond drilling, there is now indicated 1,370,000 tons of ore grading 2.35 per cent copper and 434,000 tons of ore grading 8.98 per cent zinc and 0.2 per cent copper.

In March 1964 an additional 1,078,468 shares of the Company's capital stock was offered to shareholders at the price of \$1.00 per share on the basis of one share for each three shares held. This offering was well received and funds totalling \$1,078,468 were raised.

By arrangement with the Province of Quebec, nine miles of good all weather road was completed toward the mine from the Matagami highway to the Harricana River. This will serve the developing mines west of the Harricana in the general area of Joutel and Poirier Townships. Gravelling of the road extension west of the river is now underway. A bridge will be necessary if the road is to adequately service producing mines.

The Bouzan Mine

This property consists of 272 acres in McKenzie Township in the Chibougamau area of the Province of Quebec. Of this The Patino Mining Corporation in 1962 purchased a block of 73.5 acres in area to a depth of 1,770 feet for a price of \$1,800,000 payable without interest in six equal annual instalments commencing December 31st, 1963. Ownership of the remainder of the property is retained by your company. The property purchased by Patino contained all ore indicated at the time of purchase, estimated to be 1,175,000 tons averaging 2.92 per cent copper.

There were no new developments at this property during the year. The plan is to arrange for Patino to do further development work on the portion of the property retained by Kerr Addison when conditions are more appropriate.

Vangorda Mines Limited

Kerr Addison owns approximately two-thirds of the issued shares of this company. Its property consists of 51 claims covering about 2,273 acres and is located in the Yukon Territory some 126 miles northeast of Whitehorse.

On this property is a mineral deposit with an indicated tonnage of about 9,400,000 tons averaging 3.18 per cent lead, 4.96 per cent zinc, 0.27 per cent copper, 1.76 ounces of silver and 0.02 ounces of gold per ton. About

two-thirds of this shallow flat-lying deposit could be mined by open-pit methods.

Two large diameter diamond drill holes were put down on this property in 1964 to obtain fresh ore samples for metallurgical testing. The results of these tests are essential for the completion of production feasibility studies.

Exploration

The future growth and prosperity of your Company without doubt largely depend upon its acquiring new mines, either through original discovery or acquisition. To that end an expanded programme of exploration is being aggressively executed across Canada and at times beyond its borders.

At the year end 1,403 mineral claims in five Provinces and the Yukon and Northwest Territories were held. Diamond drilling is underway on two properties and scheduled for eleven others in six Provinces or Territories. In addition Kerr Addison participates in two major syndicates and is testing several mineral properties jointly with others.

It is with sincere regret that your directors accepted the resignation, as of December 31st, 1964, of Mr. F. M. Connell. Mr. Connell had served as a director of your company for 20 years. His wide experience in the mining industry and intimate knowledge of its problems has been of great assistance to your Board for this long period. Mr. J. H. Stovel was appointed to fill this vacancy.

On behalf of the Board,

W. S. ROW,
President.

Toronto, Ontario,
February 5th, 1965.

Manager's Report

The President and Directors,
Kerr Addison Mines Limited,
Toronto, Ontario.

Dear Sirs:

A report on the operations of the mine for the year ended December 31, 1964 is submitted herewith.

Operating Results

The following tabulation compares operating results for 1964 with those for the previous year. During 1964, 779,174 tons were milled at an average rate of 2,129 tons per day, a decline of 18.5% from 1963. The grade of ore milled improved to 0.3502 ounces of gold per ton from 0.3477 in 1963. Total value of production dropped from \$12.3 million in 1963 to \$10.1 million in 1964 due to the decline in tonnage milled.

The overall recovery of gold in the milling operation was 97.8%. The cyanidation tailing retreatment plant operated for the entire year, with the exception of the annual inspection shut down, increasing recovery by 6.3% and showing a profit of \$520,310.96 or 67¢ per ton milled.

Summary of Operating Results

Production	1964		1963	
Tons Milled	779,174		956,217	
Average Tons Milled Per Day	2,128.9		2,619.8	
Total Gold Recovered	266,970.40	oz.	324,986.31	oz.
Total Silver Recovered	16,361.80	oz.	19,872.40	oz.
Average Mill-Head Value Per Ton (Bullion Plus Tails)	.3502	oz.	.3477	oz.
(Au @ \$35.00)	\$12.2579		\$12.1693	
Percentage Recovery	97.8		97.7	
Total Realized Value of Bullion (Canadian Funds)	\$10,099,818.65		\$12,299,153.50	
Total Realized Value of Bullion Per Ounce of Gold	\$37.83		\$37.85	
Total Realized Value of Bullion Per Ton Milled	\$12.962		\$12.862	

Cost of Production	1964		1963	
	<i>Total</i>	<i>Per Ton</i>	<i>Total</i>	<i>Per Ton</i>
Development	\$ 123,545.06	\$.159	\$ 199,869.05	\$.209
Stope Development	130,809.77	.168	112,615.29	.118
Mining	2,745,273.02	3.523	3,046,413.20	3.186
Haulage	325,302.70	.418	350,333.16	.366
Hoisting	294,556.87	.378	359,345.57	.376
General Mine Charges	1,690,422.35	2.169	1,850,424.82	1.935
Crushing and Conveying	172,636.77	.221	167,168.89	.175
Milling	934,329.00	1.199	1,021,118.08	1.068
General Expense	625,780.38	.803	674,329.93	.705
Bullion Marketing	70,797.71	.091	90,809.99	.095
Total Operating Cost at Mine	<u>\$ 7,113,453.63</u>	<u>\$ 9.129</u>	<u>\$ 7,872,427.98</u>	<u>\$ 8.233</u>

Operating Profit

Net Operating Profit at Mine (before provision for Depreciation, Taxes and Head Office Expense)	<u>\$ 2,986,365.02</u>	<u>\$ 3.833</u>	<u>\$ 4,426,725.52</u>	<u>\$ 4.629</u>
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The reduction in tonnage mined and milled resulted in an overall decrease in the total cost of production of $\frac{3}{4}$ million dollars. However, the cost per ton increased by 90¢ due to an increase in the percentage of ore mined by square-set methods from 56.1% to 67.8% and to the reduced tonnage. Prices of supplies during 1964 were relatively stable.

Mine Development and Mining:

No additional development was carried out on the 4800-foot or 5600-foot levels. All lateral development and raising done in 1964 was in known ore zones above the 4400-foot level.

Mining above the 2200-foot level was confined largely to pillar mining. Stopping continued in the No. 6, 14, 16 and 21 Orebodies between the 2800-foot and 2200-foot levels. In the No. 21 Orebody between the 3250-foot and 3100-foot levels, rehabilitation work following a series of ground failures in 1962 and in 1963 has been completed and mining has been resumed according to the established sequence. Pillars are being mined in the No. 21 Orebody between the 3700-foot level and the 3100-foot level. Normal stopping operations continued below the 3700-foot level to the 4400-foot level.

Pillar mining accounted for 22% of the total tons broken in 1964.

Manager's Report continued

SUMMARY OF DEVELOPMENT AND MINING FOR 1964

Level	ADVANCE IN FEET							CUBIC FEET		FEET	TONS OF ORE BROKEN IN				
	Shafts	Drifts	X-Cuts	Raises	Box-holes	Sub-Drifts	Total Lin. Feet	Slashing	Station Cutting	Diamond Drilling	Dev.	St. Dev.	Stopes	Pillars	Total
175	—	183	—	—	—	—	183	2,248	—	1,497	734	—	—	—	734
300	—	—	266	92	53	—	411	496	—	120	25	52	—	—	77
500	—	—	—	—	—	—	—	—	—	114	—	—	—	—	—
850	—	—	—	128	36	—	164	—	—	—	594	285	1,212	—	2,091
1300	—	—	—	—	—	—	—	—	—	—	—	—	7,564	958	8,522
1450	—	—	—	—	—	—	—	—	—	70	—	—	3,251	5,773	9,024
1600	—	—	25	—	—	—	25	546	—	671	50	—	10,607	10,927	21,584
1750	—	—	—	163	—	—	163	—	—	380	784	—	85,355	14,339	100,478
1900	—	173	37	9	—	—	219	1,136	—	—	1,316	20	7,945	20,257	29,538
2050	—	—	98	351	—	—	449	936	—	1,399	2,078	—	42,190	34,741	79,009
2200	—	—	—	107	28	—	135	—	—	355	601	42	22,398	9,424	32,465
2350	—	—	—	111	—	—	111	—	—	102	694	—	37,805	3,594	42,093
2500	—	—	—	—	—	—	—	160	—	506	15	—	28,487	5,256	33,758
2650	—	—	8	102	—	—	110	787	—	212	621	—	39,870	9,046	49,537
2800	—	—	—	237	—	—	237	1,304	—	589	1,493	—	80,547	8,308	90,348
2950	—	—	—	121	—	—	121	—	—	418	756	—	9,494	—	10,250
3100	—	—	279	58	30	—	367	1,300	—	1,518	86	53	11,588	—	11,727
3250	—	—	62	183	21	—	266	1,279	—	1,114	1,088	101	60,487	6,910	68,586
3400	—	—	—	—	—	—	—	—	—	—	—	—	1,493	—	1,493
3550	—	—	—	—	—	—	—	—	—	—	—	—	9,351	16,121	25,472
3700	—	—	—	—	—	—	—	—	—	434	—	—	29,135	13,887	43,022
3850	—	38	—	447	—	—	485	410	—	673	2,233	—	30,375	—	32,608
4000	—	—	—	—	—	—	—	—	—	—	—	—	11,089	—	11,089
4200	—	—	—	212	—	—	212	—	529	125	1,000	—	18,299	—	19,299
4400	—	—	—	211	—	—	211	1,546	541	82	—	—	25,196	6,373	31,569
TOTALS 1964	—	394	775	2,532	168	—	3,869	12,148	1,070	10,379	14,168	553	573,738	165,914	754,373
TOTALS 1963	—	988	544	3,182	80	81	4,875	17,094	—	17,108	22,590	285	747,238	136,866	906,979

The distribution of ore production from the mine is shown in the following table:

Source of Ore	1964		1963	
	Tons	%	Tons	%
Surface to 1900-foot level	176,560	22.6	230,678	24.3
1900-foot to 2500-foot level	190,662	24.5	223,078	23.4
2500-foot to 3100-foot level	179,352	23.0	224,678	23.6
3100-foot to 3700-foot level	135,298	17.4	161,239	16.9
Below 3700-foot level	97,288	12.5	112,468	11.8
Total Ore Produced	779,160	100.0	952,141	100.0

A summary of the tonnages of ore broken by the different mining methods follows:

Mining Method	1964		1963	
	<i>Tons Broken</i>	<i>%</i>	<i>Tons Broken</i>	<i>%</i>
Cut-and-Fill Stoping	225,079	29.8	353,669	39.0
Cut-and-Fill Pillars	3,258	0.4	5,981	0.6
Total Cut-and-Fill Mining	228,337	30.2	359,650	39.6
Square-Set Stoping	348,017	46.1	377,660	41.7
Square-Set Pillars	162,656	21.6	130,885	14.4
Total Square-Set Mining	510,673	67.7	508,545	56.1
Total Cut-and-Fill and Square-Set Mining	739,010	97.9	868,195	95.7
Shrinkage Stoping	642	0.1	15,909	1.8
Total Mining	739,652	98.0	884,104	97.5
Development Ore	14,721	2.0	22,875	2.5
Total Ore Broken	754,373	100.0	906,979	100.0
Percentage of Tons Milled		96.8		94.8

A total of 351,310 cubic yards of backfill was placed in the mine. Of this, 341,336 cubic yards or 97.2% was obtained from mill tailings. Backfilling operations are summarized as follows:

Backfill Placed	1964		1963	
	<i>Cu. Yds.</i>	<i>%</i>	<i>Cu. Yds.</i>	<i>%</i>
Cut-and-Fill Stopes	315,488	89.8	380,611	92.1
Open Stopes and Storage	35,822	10.2	32,840	7.9
Total Placed	351,310	100.0	413,451	100.0
Source of Backfill				
Hydraulic Sand from Mill Tailings	341,336	97.2	404,903	97.9
Screened Pit Sand	8,495	2.4	5,636	1.4
Total Hydraulic Fill	349,831	99.6	410,539	99.3
Development Waste and Other Dry Fill	1,479	0.4	2,912	0.7
Total Backfill	351,310	100.0	413,451	100.0
Percentage of Mill Tailings Recovered as Backfill		53.6		51.9

Ore Development:

The search for new ore was confined to a further investigation of isolated values indicated by diamond drilling on and above the 3250-foot level. A total of 22,100 tons of new ore with an average grade of 0.3250 ounces per ton has been outlined.

Manager's Report continued

Ore Reserves:

At the end of 1964, proven ore reserves including allowances for dilution were as follows:

	<i>Tons</i>	<i>Ounces Per Ton</i>
Surface to 1600-foot level	398,701	.2870
1600-foot to 2500-foot level	1,347,238	.3153
2500-foot to 3700-foot level	1,276,423	.4026
3700-foot to 4550-foot horizon	2,373,857	.5301
Total Reserve at the end of 1964	5,396,219	.4283
Total Reserve at the end of 1963	6,044,877	.4205

The total reserve at the end of 1964 includes 12,694 tons of broken ore reserves having an average grade of 0.2893 ounces per ton. During the year, for economic reasons, 41,830 tons were removed from our ore reserves; this, coupled with the tons milled, totals 821,004 tons.

The actual reduction in ore reserves was 648,658 tons. The difference, 172,346 tons, is attributed to new ore outlined by diamond drilling and to additional ore won through slashing and sub-drifting during stoping operations.

General:

The total work force decreased from 994 to 915 and the underground force decreased from 634 to 590 during 1964.

During the year 9.1 million board feet of lumber were consumed as compared with 9.9 million board feet in 1963. Square-set timber consumption amounted to 55,037 pieces as compared with 55,122 pieces in 1963.

Once again I wish to thank all Departmental Heads and their staffs and all of our employees for their loyal service and cooperation during the past year. The support and assistance of the Officers and Directors of the Company is gratefully acknowledged.

Respectfully submitted,

S. C. YULE,
Manager.

Virginiatown, Ontario.
February 1, 1965.

PRODUCTION RECORD

FOR THE YEARS 1938 TO 1964

	<i>Tons Milled</i>	<i>Average Tons Per Day</i>	<i>Recovery Per Ton Ozs.</i>	<i>Total Ounces Produced</i>	<i>Total Value</i>
1938	148,642	609	0.1880	27,946.54	\$ 985,641
1939	268,409	735	0.2030	54,480.03	1,984,858
1940	445,864	1,218	0.2064	92,021.07	3,544,433
1941	694,894	1,904	0.2102	146,071.62	5,626,389
1942	756,453	2,072	0.2139	161,811.43	6,232,794
1943	674,487	1,848	0.1930	130,192.28	5,015,128
1944	484,583	1,324	0.1666	80,722.23	3,109,598
1945	430,065	1,178	0.1885	81,065.07	3,122,706
1946	531,695	1,457	0.1984	105,483.35	3,853,253
1947	780,153	2,137	0.1923	150,039.56	5,257,179
1948	889,711	2,431	0.1873	166,617.10	5,838,584
1949	1,560,195	4,275	0.1837	286,573.92	10,379,402
1950	1,582,974	4,337	0.2027	320,808.50	12,211,154
1951	1,612,707	4,418	0.2052	330,936.99	12,432,366
1952	1,649,836	4,508	0.2110	348,113.58	12,566,611
1953	1,643,298	4,502	0.2081	341,912.99	11,969,639
1954	1,659,298	4,546	0.2142	355,473.24	12,146,148
1955	1,660,533	4,549	0.2573	427,193.24	14,797,154
1956	1,665,045	4,549	0.2842	473,235.67	16,277,717
1957	1,652,132	4,526	0.3143	519,336.89	17,474,450
1958	1,661,980	4,553	0.3263	542,268.88	18,423,484
1959	1,662,534	4,555	0.3412	567,304.80	19,125,030
1960	1,667,638	4,556	0.3552	592,244.59	20,420,106
1961	1,490,319	4,083	0.3495	520,867.17	18,615,842
1962	1,242,933	3,405	0.3364	418,150.29	15,742,590
1963	956,217	2,620	0.3399	324,986.31	12,299,154
1964	779,174	2,129	0.3426	266,970.40	10,099,818
	30,251,769	—	0.2589	7,832,827.74	\$279,551,228

KERR ADDISON

(Incorporated under the laws of the State of Nevada)

BALANCE SHEET

DECEMBER 31, 1964

(with comparative figures for 1963)

ASSETS

	1964	1963
CURRENT:		
Cash and short-term notes	\$ 314,236	\$ 1,409,969
Marketable investments, at cost less amounts written off (quoted market value \$14,572,948)	11,227,315	10,753,270
Bullion at realizable value	670,517	797,144
Accounts and interest receivable	682,887	615,650
	<u>\$12,894,955</u>	<u>13,576,033</u>
INVESTMENTS IN SHARES AND BONDS OF MINING COMPANIES, at cost (note 2)	15,257,914	14,867,324
INVESTMENTS IN SUBSIDIARY COMPANIES (note 3):		
Joutel Copper Mines Limited shares, at cost	1,631,594	912,579
Other at nominal value	<u>1</u>	<u>1</u>
	1,631,595	912,580
DEFERRED:		
Supplies and materials at cost	1,168,219	1,309,197
Prepaid expenses	<u>135,513</u>	<u>184,989</u>
	1,303,732	1,494,186
FIXED, at cost:		
Buildings, plant and equipment	14,231,991	14,223,544
Less accumulated depreciation	<u>13,733,235</u>	<u>13,581,302</u>
	498,756	642,242
Land	72,770	73,020
Mining claims and properties	<u>1,245,993</u>	<u>1,245,993</u>
	1,817,519	1,961,255
OTHER:		
Receivable under agreement of sale (note 4)	900,000	1,200,000
Mortgages receivable	10,575	16,111
Shares of inactive mining companies at nominal value	<u>1</u>	<u>1</u>
	910,576	1,216,112
	<u>\$33,816,291</u>	<u>\$34,027,490</u>

(See accompanying notes to financial statements)

MINES LIMITED

(In accordance with the laws of Ontario)

SHEET

31, 1964

(December 31, 1963)

LIABILITIES

	1964	1963
CURRENT:		
Accounts payable and accrued charges	\$ 618,160	\$ 853,607
Income and mining taxes payable	245,598	788,913
Dividends payable	150,000	450,000
	<u>\$ 1,013,758</u>	<u>2,092,520</u>
CAPITAL AND SURPLUS:		
Capital stock (note 5)		
Authorized:		
10,000,000 shares of no par value		
Issued:		
7,027,735 shares	12,996,104	12,907,712
Earned surplus	<u>19,806,429</u>	<u>19,027,258</u>
	32,802,533	31,934,970

On behalf of the Board:

W. S. ROW, Director.

K. C. GRAY, Director.

\$33,816,291 \$34,027,490

(financial statements)

Statement of Operations

For the year ended December 31, 1964

REVENUE:

Bullion produced	\$10,099,819
Investment income	1,219,861
Other	39,158
	11,358,838

EXPENSE:

Cost of metal production	\$7,113,454
Less recoverable under the Emergency Gold Mining Assistance Act	635,000
	6,478,454
Administration and general expenses	237,424
Directors' fees	22,625
Outside exploration	682,554
	7,421,057
Net income before provisions for depreciation and taxes	3,937,781
Provision for depreciation	202,922
Net income before provision for mining tax (note 6)	3,734,859
Provision for mining tax	218,307
Net income for the year	<u>\$ 3,516,552</u>

Statement of Earned Surplus

For the year ended December 31, 1964

Balance December 31, 1963	\$19,027,258
ADD:	
Net income for the year	\$3,516,552
Profit on sale of investments	189,036
Profit on sale of fixed assets	18,655
	3,724,243
	22,751,501
DEDUCT:	
Dividends paid	2,808,008
Investments written off	88,773
Sales tax adjustment re prior years	48,291
Balance December 31, 1964	<u>\$19,806,429</u>

(See accompanying notes to financial statements)

Statement of Source and Application of Funds

For the year ended December 31, 1964

Working capital, January 1, 1964 \$11,483,513

SOURCE OF FUNDS:

Net income for the year	\$3,516,552
Depreciation	202,922
Profit on sale of investments	189,036
Profit on sale of fixed assets	18,655
Issue of capital stock under share options	88,392
Decrease in supplies and materials and prepaid expenses	190,454
Received under agreement of sale	300,000
Mortgage payments received	5,536
	4,511,547

APPLICATION OF FUNDS:

Payment of dividends	2,808,008
Investment in shares of Joutel Copper Mines Limited	719,015
Purchases of other non-current investments	479,363
Purchases of fixed assets (net)	59,186
Sales taxes re prior years	48,291
	4,113,863

Net increase 397,684

Working capital, December 31, 1964 \$11,881,197

To the Shareholders of
Kerr Addison Mines Limited:

AUDITORS' REPORT

We have examined the balance sheet of Kerr Addison Mines Limited as at December 31, 1964 and the statements of operations and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and the statements of operations and earned surplus present fairly the financial position of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, presents fairly the sources and applications of funds of the company for the year ended December 31, 1964.

Toronto, Canada,
February 11, 1965.

CLARKSON, GORDON & CO.,
Chartered Accountants.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1964

1. Kerr Addison Mines Limited was formed in November 1963 by the statutory amalgamation of Anglo-Huronian, Limited, Bouzan Mines Limited and Kerr-Addison Gold Mines Limited. Subsequent to the amalgamation the company acquired the net assets and undertakings of Prospectors Airways Company, Limited. Because of these changes in the operations of the company and its predecessor companies in 1963 comparative figures have not been included on the statements of operations and earned surplus.
2. Shares and bonds of mining companies consist of holdings which are not in the nature of temporary investments. Included are shares and bonds carried at a cost of \$14,973,134 which have a quoted market value of \$30,906,078 computed by pricing the individual holdings at the closing market quotations on December 31, 1964. The latter amount does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations. Also included are investments carried at a cost of \$284,780 consisting of holdings for which no regular market quotations are available.
3. Joutel Copper Mines Limited has shown neither profits or losses to December 31, 1964. The investments in other subsidiary companies are carried at nominal value.
4. The amount shown as "Receivable under agreement of sale" represents amounts due from The Patino Mining Corporation on sale of mining property and is due in annual instalments of \$300,000 on December 31 of each year. The instalment due in 1965 has been included in "Accounts and interest receivable" in the balance sheet.
5. During the year options were exercised on 13,833 shares for a total consideration of \$88,392. At December 31, 1964 employees' options on 81,667 shares were outstanding.
6. No income taxes appear to be payable on the income for the year because of the deduction for income tax purposes of exploration expenditures incurred by predecessor companies.

Breakdown of Supplies and Services

PURCHASED BY THE KERR ADDISON MINE FOR THE YEAR 1964

Iron and Steel Products	\$ 289,685
Tools and Machinery (Mine, Mill, Shops)	186,660
Reagents and Chemicals	243,275
Coal and Coke	7,386
Petroleum Products	22,196
Rubber Products	24,747
Lumber and Timber	1,128,575
Building Products (Miscellaneous)	85,893
Electrical Equipment	16,630
Air-Operated Equipment and Parts	41,350
Explosives	142,595
Refractories	6,407
Foodstuffs	7,242
Insurance	129,206
Miscellaneous	122,913
Sub-Total	\$2,454,760
Hydro-Electric Power	352,752
Freight and Express	65,021
TOTAL	\$2,872,533
Total Paid in Wages and Salaries	\$4,621,135
Provincial Mining Tax	218,307
Municipal and Sundry Taxes	57,012

Principal Canadian Cities and Towns Which Benefit:

Acton, Ontario	Evain, Quebec	New Liskeard, Ontario	St. Mary's, Ontario
Arnprior, Ontario	Fort Erie, Ontario	Newmarket, Ontario	Sarnia, Ontario
Beachville, Ontario	Fredericton, N.B.	Niagara Falls, Ontario	Sault Ste. Marie, Ontario
Belleville, Ontario	Galt, Ontario	Nobel, Ontario	Sherbrooke, Quebec
Bourlamaque, Quebec	Gananoque, Ontario	Noranda, Quebec	Sorel, Quebec
Bowmanville, Ontario	Guelph, Ontario	North Bay, Ontario	Staynerville, Quebec
Brampton, Ontario	Hamilton, Ontario	Oakville, Ontario	Sudbury, Ontario
Brantford, Ontario	Haileybury, Ontario	Orillia, Ontario	Thornbury, Ontario
Burlington, Ontario	Hespeler, Ontario	Oshawa, Ontario	Tillsonburg, Ontario
Clarkson, Ontario	Huttonsville, Ontario	Ottawa, Ontario	Timmins, Ontario
Cobalt, Ontario	Joliette, Quebec	Owen Sound, Ontario	Toronto, Ontario
Cobourg, Ontario	Kirkland Lake, Ontario	Point Anne, Ontario	Val d'Or, Quebec
Cooksville, Ontario	Kitchener, Ontario	Point Edward, Ontario	Welland, Ontario
Cowansville, Quebec	London, Ontario	Port Arthur, Ontario	Windsor, Ontario
Downsview, Ontario	London, England	Rouyn, Quebec	
Dundas, Ontario	Merritton, Ontario	St. Catharines, Ontario	
Englehart, Ontario	Montreal, Quebec	St. John, N.B.	

NUMBER OF COMPANIES AND INDIVIDUALS (With Geographical Location) THROUGH WHICH SUPPLIES OR SERVICES PURCHASED:

282 — Ontario; 50 — Quebec; 1 — New Brunswick; 2 — Manitoba; 1 — Alberta; 11 — U.S.A.; 1—England.

